
THIRD READING

Bill No: SB 812
Author: Roth (D), et al.
Amended: 4/27/23
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 13-0, 4/24/23
AYES: Roth, Nguyen, Alvarado-Gil, Archuleta, Ashby, Becker, Dodd, Eggman,
Glazer, Niello, Smallwood-Cuevas, Wahab, Wilk

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SUBJECT: Tax preparers

SOURCE: Author

DIGEST: This bill extends the operations of the California Tax Education Council (CTEC) for four years.

ANALYSIS:

Existing law:

- 1) Provides for the registration of tax preparers by CTEC and repeals (sunsets) those provisions of law effective January 1, 2023. (Business and Professions Code (BPC) § 22250 et. seq.)
- 2) Defines a “tax preparer” as a person who, for a fee or for other consideration, assists with or prepares tax returns for another person or who assumes final responsibility for completed work on a return on which preliminary work has been done by another person, or who holds himself or herself out as offering those services. (BPC § 22251 (a))
- 3) Defines a “tax preparer” to also mean a corporation, partnership, association, or other entity that has persons associated with it who have as part of their responsibilities the preparation of data and ultimate signatory authority of tax

returns or that holds itself out as offering those services or having that authority.
(*Id.*)

- 4) Defines “council” as the CTEC that is a single nonprofit organization exempt from taxation under Section 501(c)(3) of the U.S. Tax Code and provides for the composition of CTEC as specified. (BPC § 22251 (d))
- 5) States that it is the intent of the Legislature in establishing CTEC and its registration of paid tax preparers to enable consumers to easily identify credible tax preparers who are bonded and registered, to ensure tax preparers receive adequate education and treat confidential information appropriately, to prohibit tax preparers from making fraudulent, untrue, or misleading representations, and to provide for a self-funded nonprofit oversight body to register tax preparers and ensure that they meet all of the requirements of this chapter. (BPC § 22251.1.)
- 6) Requires that prior to rendering any tax preparation services, a tax preparer shall provide the customer in writing with the tax preparer’s name, address, telephone number, and evidence of compliance with the bonding requirement, including the bond number, if any. (BPC § 22252)
- 7) Makes it a violation of the Tax Preparer Law for a tax preparer to do or commit, and the CTEC may deny an application for registration or discipline a registrant for any of the specified violations. (BPC §§ 22253 and 22253.1.5)

This bill extends the operations of CTEC for four years

Background

Oversight Hearings and Sunset Review of Licensing Boards and Programs. In early 2023, the Senate Business, Professions and Economic Development Committee and the Assembly Business and Professions Committee (Committees) began their comprehensive sunset review oversight of 8 regulatory entities including the Board. The Committees conducted two oversight hearings in March of this year. This bill and the accompanying sunset bills are intended to implement legislative changes as recommended by staff of the Committees and which are reflected in the Background Papers prepared by Committee staff for each agency and program reviewed this year.

CTEC. CTEC is a non-profit corporation that administers the registration and enforcement of tax preparers. CTEC was established in 1997 when the Governor and the California State Legislature transferred the responsibility for approving tax schools and certifying the education of tax preparers from the California State Tax

Preparer Program in the Department of Consumer Affairs to the California Tax Education Council (CTEC) via SB 1077 (Greene, Chapter 1137, Statutes of 1996). In what was described as a “grand experiment” to privatize the regulation of tax schools and registration of tax preparers in the State of California, CTEC was established as a new private tax industry council. No state funds were allocated to CTEC, and no staff existed to carry out the workload. Today, CTEC is responsible for the registration and enforcement of tax preparers who charge a fee, excluding certain professionals. CTEC is also charged with approving providers of tax education and maintaining and distributing to the public a list of those approved providers. CTEC and CTEC Registered Tax Preparers (CRTPs) make up the second largest segment of tax preparation professionals serving California, following certified public accountants. Anyone who, for a fee, assists with or prepares a state or federal income tax return, excluding certified public accountants, attorneys, enrolled agents, enrolled actuaries, and certain financial institutions or their employees, must be registered with CTEC. These exempt individuals are subject to their respective professional disciplinary standards for conduct and competence.

Comments

The Inland Equity Partnership, John Burton Advocates for Youth, and United Ways of California write in support if amended and would like certain issues to be addressed. They believe that paid preparers should disclose a notice of all fees being charged by a tax preparer in advance, including an estimate of the tax refund a client would receive without paying a tax preparer’s fees. They also believe this bill should be amended to require paid tax preparers to provide a written disclosure to income-eligible tax filers with a statement relating to the availability of free tax preparation services for individuals with incomes below specified amounts that also identifies the Franchise Tax Board’s and Internal Revenue Service’s internet websites where the client may find additional information. The organizations also believe CTEC should consider adding a section for publicized complaints next to each registrant listing and that this bill should language to the list of those who are exempt from registration to ensure that preparers who claim exemption because they “work for an exempt tax preparer” are directly supervised by a registered preparer or exempted person. The groups also would like the bond tax preparers pay to be increased every five years, as the National Consumer Law Center proposes. They believe CTEC should actively approve or decline to approve a curriculum provider within the 120-day period to guarantee that tax preparers are receiving adequate education to fulfill their tax preparation services. The organizations also believe a tax preparer should provide in writing or electronically a side-by-side comparison of the full amount of the tax refund the filer would

receive if they do not elect to pursue a tax refund anticipation loan (RAL) versus the reduced amount they would receive if they elect to pursue a RAL.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT: (Verified 5/9/23)

None received

OPPOSITION: (Verified 5/9/23)

None received

Prepared by: Dana Shaker / B., P. & E.D. /
5/10/23 15:35:00

**** **END** ****